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Rumania

I. BASIC ISSUES

Serious raw material shortages have resulted from the country's industrialization program, and unemployment has increased as a result of large-scale dismissals from state and local administrative units, cancellation of construction projects and industrial cutbacks in an economy drive. Labor productivity in industry is a major problem, and efficiency of Rumanian agriculture remains low. The standard of living is one of the lowest of the satellites. The economy suffers from a shortage of foreign exchange and the problem of gaining acceptance in the West of its industrial exports persists. The USSR has shown an awareness of the need for supporting the Rumanian economy and has recently granted loans and credits and cancelled debts resulting from the transfer of the Sovroms to Rumanian ownership.

IV. ECONOMIC

A. Currency

1. Basic Monetary Unit: The leu (plural: lei)

2. Exchange Rate: The official exchange rate is 6.00 lei = US \$1 and 1.50 lei = 1 ruble. The official rate, however, grossly overvalues the purchasing power of the leu relative to the dollar. Effective 1 July 1957 the leu was devalued for noncommercial transactions to a new rate of 12 lei to US \$1, ^{and effective 1 June 1958} ~~On 31 May 1957~~ a new rate for noncommercial transactions was established vis-a-vis the ruble, i.e., 0.77 leu = 1 ruble.

B. RetainC. Economic Trends

1. Basic Economic Factors: Over two-thirds of the labor force of

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10,470,000 is employed in agriculture. Raw material problems exist, but Rumania has considerable hydroelectric power potential, petroleum, abundant low-quality coal, and natural resources especially suited for development of its chemical industry. A recent slowdown in industrialization and cuts in bureaucracy have led to serious unemployment. The level of living is low even by satellite standards. Daily per capita caloric food consumption in 1956/57 was only 79% of the prewar level. Prices of main agricultural foods are still high relative to income earned by the population, even though incomes of many have risen. Labor productivity is low and a substantial investment in plant and equipment will be needed as well as incentives and increased training for the workers in order to raise productivity. A chronic shortage of foreign exchange exists, and Rumania is faced with the problem of gaining acceptance in the West of its industrial exports, which up until now have been unable to compete in international markets.

<u>Year</u>	<u>Estimated Gross National Product</u>	<u>Industrial Production</u>	<u>Total Agricultural and Forestry Production</u>
	<u>Billion 1955 US \$</u>	<u>Indexes (1950 = 100)</u>	
1938	3.07	73	123
1950	3.24	100	100
1954	4.48	154	131
1955	5.00	178	152
1956	4.97	184	133

2. Currency Stability: In an attempt to curb serious inflationary pressures, the regime initiated a drastic currency reform in January 1952. This reform coupled with the increase supplies of consumer goods made available under the "new course" permitted almost universal derationing in December 1954. Since that time, however, prices have risen appreciably

despite subsequent price reduction decrees. Higher wages and payments to farmers as a result of new regime policies have increased the possibility of inflationary tendencies developing in the latter part of 1957.

3. Government Controls: All major industrial establishments, the banking system, trading establishments as well as transportation and communications are government owned. The socialist sector of agriculture accounted for about 31% of the arable land at the end of 1956.

(Retain second paragraph)

D. Annual Budgets (in billion of lei)*

<u>Year</u>	<u>Total Budget</u>	<u>Military Allocations</u>	<u>Percent of total Budget</u>	<u>Financing the National Economy</u>
1957	45.2	3.7	8.2	23.9
1956	44.4	4.0	9.0	26.1
1955	43.0	4.5	10.4	24.4
1954	39.3	4.3	9.9	24.0

E. Soviet Economic Aid: Rumania's poor grain harvest in 1956 made it necessary to negotiate with the USSR for a loan of 450,000 metric tons of wheat and 60,000 tons of fodder (barley). This loan has been activated during the first half of 1957.

Other concessions granted as a result of the Soviet-Rumanian talks in Moscow on 3 December 1956 included (1) suspension for four years of all payments against credits granted by the Soviet Union since 1949; (2) an industrial credit of \$67,500,000 for technical assistance in the chemical and oil industries; (3) increased shipments of coal, coke, and oil, to be repaid with Rumanian goods in 1957; and (4) cancellation of the debts of 4.3 billion lei (\$717,000,000) resulting from the transfer of former German

* (Retain footnote): Figures have not been converted to US dollar equivalents. To do so would give a false picture since the official exchange rate is entirely unrealistic.

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assets to Rumanian ownership. Earlier profits from the Sovroms had been reinvested by the USSR in the form of equipment, for which Rumania still has to pay an unspecified sum.

Soviet concessions total at least \$184 million in 1957. The wheat fodder and industrial credits will permit Rumania to increase its imports by \$104 million. An additional \$80 million will be available via reduced export commitments in 1957 as a result of Rumania's reduced payments on the Sovrom transfers.

F. Natural Resources

1. Agricultural: In 1956 total arable land in Rumania amounted to 9.7 million hectares, of which approximately 72% was devoted to the cultivation of grain crops. Because of abnormal weather conditions throughout most of the country during 1956, total grain production was 41% below the postwar high in 1955. Output of grains in 1956 (excluding rice) represented about 2.2 percent of total grain production in the Sino-Soviet bloc.

Meat, milk, and wool production are currently greater than the prewar production levels. The 1956 estimate of meat production for Rumania represented 3.3% of the total orbit output; wool, 6.1% and milk, 3.2%.

Timber production has showed a gradual upward trend since 1948, but 1956 production was still slightly below the prewar level. The 1956 production of 17.8 million cubic meters was about 3% of the Sino-Soviet bloc total.

Traditionally an exporter of food products, because of crop failures Rumania became a net food importer in the 1956/57 consumption year.

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During the First Five Year Plan the progress of socialization in the agricultural sector was less rapid and less forceful than in most of the other Eastern European Satellites. The socialist sector of agriculture (which includes state farms, state lands managed mostly by people's councils and all forms of collectives) has increased from only 12% of the total arable land in 1950 to approximately 31% by the end of 1956. The Second Five Year Plan implies a continuation of collectivization, calling for the socialized sector to supply 60-70% of all agriculture produce by 1960.

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2. Minerals: In view of the planned increase in pig iron production, reserves of iron ore are deemed to be inadequate. It was necessary to import some iron ore in 1956, and imports on an increasing scale will be necessary as pig iron production increases. Production of ferromanganese and chromite, though not large, is sufficient to permit small exports. The nonferrous metals and mineral industries hold only a minor place in the internal economy of Rumania. In 1956 Rumania produced 10,200 metric tons of copper, 6,000 tons of lead, 11,600 tons of zinc, and 250 flasks of mercury. Most of the bauxite produced, which for the most part is suitable only for use in abrasives, is exported. Small quantities of lead and zinc are exported, whereas copper and mercury must be imported to meet domestic requirements.

3. Fuels and Electric Power: Production of crude oil, natural gas, brown coal, lignite, and fuel wood makes the country largely self-sufficient in fuels except for hard coal (anthracite and bituminous), but the quantities are insignificant relative to world production. Production of about 11 million metric tons of crude oil in 1956, represented approximately 11% of Orbit output and permitted an export of 7.3 million metric tons of crude oil and refined products. Natural gas production was 5.4 million metric tons or about 36% of Orbit output. Total coal production was 6,470,000 metric tons in 1956, about 2.3 times that of 1938. Production of low quality brown coal and lignite accounted for this increase; output of hard coal in 1956 was only 180,000 to 190,000 metric tons, or little more than one-half of 1938 production. Coking coal resources are very small; 414,000 metric tons of coke were imported from the USSR in 1956. The production of 7.4 million cubic meters ^{of fuel wood} in 1956 is a substantial contribution to Rumanian

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heating requirements.

An estimated installed electric power capacity of 1.49 million kilowatts produced about 4.7 billion kwh of electricity in 1956.

G. Industry

1. Capital Goods: Rumania's small metallurgical industry (586,000 metric tons of pig iron and 662,000 metric tons of finished steel in 1956).... (retain rest of paragraph)

These industries equipment. (Retain ^{all} rest of para. 2)

The Rumanian chemical industry produces adequate quantities of basic inorganic chemicals for domestic needs, excepting chemical fertilizers. The Second Five Year Plan calls for a five-fold increase in the production of chemical (mineral) fertilizers; the creation of a petrochemicals industry producing synthetic materials; and a major increase in basic chemical production. This expansion is based on abundant natural resources and will make Rumania a major contributor to Orbit chemical production within a decade.

2. Consumer Goods: Domestic production of such consumer goods as textiles, footwear, foodstuffs, ~~furniture~~, and ~~houseware~~ is sufficient to fill only minimum domestic requirements. Customarily, only small amounts of foreign exchange are allocated for import of consumer durables but in the last quarter of 1956 a wide variety of consumer goods was imported because of the failure of domestic production to meet planned goals. The USSR is the chief supplier of raw materials for light industry and in 1955 supplied 65 percent of Rumania's raw cotton requirements, 100% of its synthetic rubber needs and large amounts of synthetic yarn.

3. Munitions: Production of small arms and small arms and artillery ammunition is adequate for current requirements and can be considerably increased in time of war: Rumania is dependent on the USSR and other Satellite countries for artillery and armored vehicles.

H. Foreign Trade

1. Principal Exports to the West: In 1955, principal exports were petroleum products, \$50,000,000; timber, \$25,000,000; and cereals, \$19,000,000.

2. Principal Imports from the West: Principal imports in 1955 were manufactured goods, \$27,000,000; raw materials, \$23,000,000; and food, \$12,000,000.

Trade with the West, about 20% of total Rumanian trade turnover, was conducted with 50 countries. Among Western countries, Western Germany plays a major role in Rumanian trade. Trade with the underdeveloped countries rose steadily in 1955, and amounted to approximately 25% of Rumania's total free world trade.

3. Trade with the Sino-Soviet Bloc: In 1955, Rumania's trade with the other Orbit countries represented slightly less than 80% of her total trade. Principal exports were products of the oil and lumber industries. Imports consisted largely of industrial equipment, industrial raw materials, and consumer goods.

4. Balance of Payments*: Rumania's most pressing problem has been the financing of its imports from the Free World and the acceptance by the

* Official statistics are not sufficiently complete to permit construction of a balance of payments in the customary form.

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West of its industrial exports. Not having solved this problem, Rumania suffers from a shortage of convertible exchange. On several occasions it has achieved a credit balance in bilateral trade; in these cases Rumania has usually sought to secure payment in hard currencies. In general, however, Rumania has been a consistent debtor in trade with Free World countries.

I. Telecommunications

1. Domestic: The Ministry of Post and Telecommunications is responsible for all of the basic civil telecommunications services in Rumania. Domestic telephone and telegraph service is provided by a wire and cable network. The country, except for the Carpathian mountain area, is well covered by this network. At the end of 1956, there were an estimated 150,000 telephone subscribers. Functional telecommunications networks are operated and maintained by the railroad and river transport organization, armed forces, meteorological service, aeronautical service, and other organizations.

There were an estimated 720,000 radiobroadcast receivers and 610,000 wired loudspeakers in use at the end of 1956.

An experimental television transmitter is currently operating in Bucharest. There were an estimated 100 television receivers in use at the end of 1956.

2. International: Bucharest is the main international telecommunications center of the country. Wireline and radio facilities provide international communications service to European and World telecommunications

centers. International broadcasting service is provided by radio transmitters located near Bucharest.

J. Transportation

1. Railroads: The railroads are the most important mode of transport in Rumania, accounting for about 87% of total freight traffic. There are about 6,500 route miles of standard-gauge line, including 36 miles of electrified line. The rail net is comprised of two concentric rings servicing the outer perimeter of the country with radials providing rail service to Central Rumania. There are direct rail connections with all neighboring states. Transloading facilities are located on the Russian border at Galati, Socola, and Dornesti to effect the transfer of traffic from Rumanian standard gauge to the Russian broad gauge system. Modern traffic controls are not used extensively. Rolling stock is old and subject to intensive utilization. The railroad system has the capacity to meet domestic traffic requirements; extraordinary traffic would require additional facilities.

2. Roads: Highway transport is primarily a short-haul feeder for traffic on Rumanian Railways. Of a total of 42,000 miles of roads, only 55 percent are surfaced. Though fairly well distributed, the density of the road net is low and the condition of the roads is poor. Motor vehicles are in poor operating condition due to poor construction, inadequate repairs, and rough road conditions.

3. Merchant Marine: Rumania has nine ocean-going vessels over 1,000 GRT (gross register tons), totaling 34,197 GRT. All these ships were

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built in foreign yards before World War II. In addition, four small (under 1,000 GRT) cargo ships built in the period 1950-⁵¹~~52~~ engage in sea trading. There are no tankers in the fleet.

The seagoing merchant marine operates primarily between ports on the Black Sea, the eastern Mediterranean and the southern Adriatic (Albania). Rumanian ships also call occasionally at most Western European ports. In the fall of 1956 the vessel Ardeal (5,733 GRT) began what will apparently be regular service to East Asia.

Constanta, located on the Black Sea, is the chief seaport, although both Giurgiu and Galati, on the Danube River, are of some importance in ocean shipping.

4. Inland Waterways: Although its share of traffic is small, inland water transport is important in both foreign and domestic traffic. The system consists primarily of the Danube and portions of the Prut and Siret rivers. Ports are equipped to handle large quantities of grains, timber and petroleum. Detailed and accurate data on current fleet inventory are not available. It is estimated, however, that the Rumanian river fleet totals approximately 420 units: 68 tugs and freight ships; 339 dry cargo and tank barges; 14 passenger boats. Total capacity is about 222,000 DWT.

5. Civil Airlines: TAROM (Transporturi Aeriene Romine) the Rumanian carrier has domestic flights which connect Bucharest with Galati, Tulcea, Bacau, Iasi, Sibiu, Deva, Orasul Stalin, Targu Mures, Cluj, Baia-Mare, Oradea, Timisoara and Arad. Approximately 15 twin engine aircraft serve the internal routes and USSR Il-14 aircraft fly the route to Berlin, Prague, Budapest, as well as the Bucharest-Moscow route. A flight to Belgrade,

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Yugoslavia was initiated in 1956. Air agreements with Belgium and the Netherlands look toward expansion outside the Bloc. A Bucharest-Copenhagen-Stockholm route is projected. Work is in progress on the principal civil airfield, Bucharest/Baneasa, extending the runway to a length of 6,000 feet.

VI. GENERAL DATA

A. Population: 17,760,000 (mid-1957 estimate) (31.3% urban; 68.7% rural - census of Feb 1956).

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